

 W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR I SEMESTER II SPECIAL/SUPPLEMENTARY EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE**

**HBC 2104: INTRODUCTION TO ACCOUNTING II**

**DATE: AUGUST 2015 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE**

(a)(i) From the following information prepare an income statement for the period;

 Kshs.

 Equipment 37000

 Creditor 500

 Debtor 3000

 Bank 1200

 Inventory 1/12/14 5000

 Sales for cash and paid to bank 3200

 Purchases on credit took Ltd 3900

 Sales to AB Ltd on credit 600

 Paid to Ltd by cheque 300

 Paid general expenses by cheque 500

 AB Ltd paid by cheque 300

 Inventory at 31/12/14 6200

 (5 marks]

 (ii) Using section 24 of the partnership Act 1890, state the accounting content of the

 section where partnership agreement exists [5 marks]

(b) Define the following terms:

 (i) Statement of financial position

 (ii) Capital expenditure

 (iii) Accrued expenses

 (iv) A partnership [10 marks]

(c) The trial balance for Mary Adhiambo business at 31/12/14 is as follows:

 Ksh. Ksh.

 Inventory (1/1/14) 4200

 Purchases and sales 1300 20450

 Rent 2200

 Business rates 800

 Sundry expenses 170

 Motor vehicle @ cost 4500

 Account receivable/payable 580 1050

 Bank 750

 Provision for motor vehicle 600

 Capital 9850

 Drawings 5850 \_\_\_\_\_

 31950 31950

 Required:

1. An income statement for the year ended 31/12/14 [5 marks]
2. A statement of financial position as at 31/12/14 [5 marks]

**QUESTION TWO**

Draw up a statement of cashflow for Mr. Fred Wekesa for the year ending 31/12/14. You are informed that fixtures bought in 2003 cost 40,000/=

 Fred Wekesa

 Statement at financial position as at 31/12/14

 Ksh. Ksh. Ksh. Ksh.

 Non-current Assets 000 000 000 000

 Building 5000 5000

 Fixture less depreciation 180 200

 Van less depreciation 392 740

 5572 5940

 Current assets

 Inventory 560 1240

 Trade receivable 640 820

 Bank 90 -

 Cash 22 1312 20 2080

 Total assets 6884 8020

 Current liabilities:

 Account payable 630 300.6

 Bank overdraft - 9.4

 Non current liabilities;

 Loan (repayable in 10 years) 1000 1630 1500 1810

 5254 6210

 Capital a/c:

 Balance I/I 3704 5254

 Add net profit 3520 2116

 Cash introduced \_\_\_-\_\_ 1000

 7222 8370

 Less drawings (5254) (2160)

 5254 6210

 [20 marks]

**QUESTION THREE**

1. Explain the three steps to be used to draw up the financial statements for receipts and payments a/cs and income and expenditure accounts. [6 marks]
2. A summary of the Mombasa Club cash book is shown below. There is also additional information to use it to construct;
3. An income and expenditure account for the year ended 31/12/14

 [7 marks]

1. A statement of financial position as at 31/12/14

 [7 marks]

 Cash book

 Kshs.000 Ksh.000

 Balance 1/1/14 28 Purchase of equipment 6.0

 Collection at matches 86 Rent for pitch 24.0

 Refreshment 1100 Printing and stationery 1.0

 Secretary expenses 1.6

 Repair to equipment 1.4

 Groundsman’s wage 80.0

 Miscellenous expenses 1.2

 \_\_\_\_\_\_ Balance 31/12/14 108.8

 224.0 224.0

Further information:

1. At 1/1/14 equipment was values at 30,000/=
2. Depreciation on equipment 10% for the year 2014
3. At 31/12/2014 rent paid in advance was 600/=
4. At 31/12/2014 there was 400/= owing for printing

**QUESTION FOUR**

1. Highlight three purposes of ratios to a business. [6 marks]
2. Use the ratios given and recommend which business doing well by stating the reasons;

 ABC Ltd XYZ Ltd

 % %

(i) Net profit as % of net capital employed 15 16

(ii) Net Profit

 Sales 9 8

(iii) Sales 1662/3 200

 Net capital employed

(iv) Current assets 400 2871/2

 Current liabilities

(v) Bank and accounts receivable 275 187 ½

 Current liabilities

(vi) Gross profit 25 26

 Sales

(vii) Account receivable x 365

 Sales 36 1/2 days 32 17/20 days

(viii) Inventory turnover 10 times 8 times

The owner has supplied all the capital for his business and has had no drawings from the business during the year ended 31/3/14. [ 14 marks]

**QUESTION FIVE**

1. Identify five elements of published accounts. [5 marks]
2. Use the below information;
3. To draw up an income statement for the year ended 31/12/14
4. To draw up a statement of financial position and at 31/12/14

 Dr Cr

Account receivable/payable 321219 237516

Building @ cost 800000

Bank 8100

Business rates 14800

Office expenses 9100

Sundry expenses 2360

Purchases/sales 810613 1606086

Inventory 290114

Equipment @ cost 320000

Retained profits 31/12/13 136204

General reserve 120000

Foreign exchange reserve 20000

Authorized and issue share capital 800000

Carriage inwards 2390

Carriage outwards 13410

Salaries 384500

Provision for depreciation:

Building 80000

Equipment 96000

Directors’ renumeration 119200 \_\_\_\_\_\_

 3095806 3095806

Additional information at 31/12/14;

1. Inventory 317426
2. Business rate owing 1700 office expenses owing 245/=
3. Dividend of 15% proposed
4. Transfers to reserves;

 General 70,000 foreign exchange 30,000

1. Depreciation on book value: Building 5%; equipment 15%